

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2020-7-G - ORDER NO. 2020-702(A)  
NOVEMBER 9, 2020

IN RE: Application of Piedmont Natural	) AMENDED INITIAL ORDER
Gas Company, Incorporated to Have	) APPROVING QUARTERLY
the Terms of the Natural Gas Rate	) MONITORING REPORT AND
Stabilization Act Apply to the	) ADOPTING SETTLEMENT
Company's Rates and Charges for	) AGREEMENT FOR
Gas Distribution Services	) ADJUSTMENTS TO RATES AND
	) CHARGES

This matter comes before the Public Service Commission of South Carolina (the “Commission”) by way of necessity to amend Commission Order No. 2020-702 issued in the present docket. Order No. 2020-702 was issued on October 14, 2020, approving quarterly monitoring report related to the quarter ending March 31<sup>st</sup> pursuant to Natural Gas Rate Stabilization Act (“RSA”), and adopting the Settlement Agreement

This matter comes before the Public Service Commission of South Carolina (the “Commission”) pursuant to S.C. Code Ann. §§ 58-5-400 *et seq.*, the RSA, as related to Piedmont Natural Gas Company, Inc. (“Piedmont” or the “Company”). Order No. 2005-491 established a baseline return on equity for the Company under the Act, based on the Company’s last rate case. *See* Order No. 2002-761, Docket No. 2002-63-G. Section 58-5-455 sets out a procedure for the handling of monitoring reports under the Act related to the quarter ending March 31.

## INTRODUCTION AND APPLICABLE LAW

The RSA requires Piedmont to file the monitoring report for the quarter ending March thirty-first with the Commission and the Office of Regulatory Staff (“ORS”). S.C. Code Ann. § 58-5-455(1) (2015). Interested parties are allowed until July fifteenth to file written comments concerning the report with the Commission and the ORS. S.C. Code Ann. § 58-5-455(2)(2015). Where it appears to the Commission or ORS that an adjustment in rates may be warranted, ORS shall conduct an audit of the monitoring report and specify any changes that it determines are necessary to correct errors in the report or to otherwise bring the report into compliance with the statute. S.C. Code Ann. § 58-5-455(3) (2015). Interested parties may file written comments on the ORS audit by September fifteenth. S.C. Code Ann. § 58-5-455(4) (2015). On or before October fifteenth, the Commission shall issue an initial order setting forth any changes required in the utility’s request to adjust rates under the statute. S.C. Code Ann. § 58-5-455(5) (2015). Any gas rate adjustments authorized under the terms of the statute shall take effect for all bills rendered on or after the first billing cycle of November of that year. S.C. Code Ann. § 58-5-455(6) (2015). This present Order is the “initial order” contemplated by S.C. Code Ann. Section 58-5-455 for Piedmont.

In compliance with S.C. Code Ann. §§ 58-5-430, 58-5-440, and §58-5-455 (2015) of the RSA, Piedmont filed its quarterly monitoring report for the twelve month period ending March 31, 2020, and proposed adjustments to its rates and charges necessary to provide Piedmont with the opportunity to earn the midpoint of the range of rate of return

on common equity to the approved rate of return on equity adopted in Piedmont's most recent general rate case for natural gas service in Docket No. 2002-63-G.<sup>1</sup>

The ORS conducted a review of Piedmont's Monitoring Report for the twelve-month period ending March 31, 2020, to evaluate compliance with S.C. Code Ann §§ 58-5-430 and 58-5-440 (2015). The ORS proposed certain adjustments to reported amounts to bring the report into conformance with those sections. Piedmont filed written comments advising the Commission that any objections to the findings and adjustments reflected in the ORS Audit Report have been settled. The only two parties in this matter are Piedmont and ORS. There were no other parties or intervenors.

**Table 1.**

Docket No.	Order No.	Amount Requested	Change in Revenue per ORS Report	Amount Granted	Approved Return on Equity	Rates Effective
2016-7-G	2016-705	\$14,910,332	\$12,727,664	\$7,655,078	10.20%	11/1/2016
2017-7-G	2017-624	\$17,552,834	\$12,094,357	\$5,829,357	10.20%	11/1/2017
2018-7-G	2018-679	(\$5,686,837)	(\$13,643,555)	(\$15,990,582)	10.20%	11/1/2018
2019-7-G	2019-730	\$16,964,048	\$16,972,886	\$10,127,266	9.90%	11/1/2019
2020-7-G	TBA	\$12,446,419	\$11,583,831	TBD	12.60%	11/1/2020

A Settlement Agreement was reached by and between Piedmont and ORS (collectively, the Parties). Under the terms of the Settlement Agreement, attached hereto as Order Appendix A, Piedmont will implement rates for the twelve-month period beginning with the first billing cycle of November 2020, calculated on the basis of a 9.8% return on equity ("ROE"), instead of the 12.6% ROE approved by Commission Order Nos. 2002-761, 2005-491, and 2005-567. The Parties agree that Piedmont will adopt the

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<sup>1</sup> S.C. Code Ann. §58-5-420(1) (2015).

accounting adjustments of ORS as set forth in Schedule 2 attached to the Settlement Agreement. The Parties further agree that, based upon the accounting adjustments proposed by ORS and adopted by Piedmont, and the agreement of Piedmont to implement rates based upon a 9.8% ROE, South Carolina ratepayers will realize an increase in current margin rates totaling \$7,084,535. The Settlement Agreement states that this equates to a reduction of \$7,483,013 {for accounting purposes reflected as (\$7,483,013)} for South Carolina ratepayers when compared to rates calculated on Piedmont's authorized 12.6% ROE. The Parties further agree to a decrease in revenue of \$2,983,717{for accounting purposes reflected as (\$2,983,717)}, due to a demand cost over-recovery.

Docket No.	Order No.	Amount Requested	ORS Proposed Increase (Settlement)	Amount Granted	Approved Return on Equity	Rates Effective
2020-7-G	2020-702	\$12,446,419	\$4,100,818	\$4,100,818	9.80%	11/1/2020

Lastly, the Parties acknowledge and reaffirm commitments from the Settlement Agreement filed and approved in Docket 2019-7-G that Piedmont will file a general rate case proceeding with the Commission no later than April 1, 2022, and certain additional information Piedmont agrees to report to ORS in quarterly monitoring reports.

We have examined the accounting and pro forma adjustments proposed and agreed upon by the Parties, as well as the Settlement Agreement, and we take no exception to them.

#### **FINDINGS AND CONCLUSIONS**

1. Piedmont has elected to have the terms of the Natural Gas Stabilization Act, Section 58-5-400, et seq., apply to its current rates and charges for gas distribution service.

2. S.C. Code Ann. Section 58-5-455, a portion of the Natural Gas Rate Stabilization Act, requires the filing of certain documents and the issuance of this Initial Order.

3. Changes are required to the Company's request to adjust rates.

4. ORS has suggested certain adjustments to which Piedmont does not object, as outlined in the Parties' Settlement Agreement.

5. This Commission concludes that the terms of the Settlement Agreement are in compliance with the statutory requirements of the Natural Gas Rate Stabilization Act, S.C. Code Ann. § 58-5-400 *et seq.*, and adopts the changes and adjustments proposed by the Parties and the resulting rates and charges. Therefore, the Settlement Agreement is approved and attached to this Order as Order Appendix A.

6. This Commission finds the rate schedules for natural gas service submitted by Piedmont, attached to this Order as Order Appendix B and which incorporate the adjustments agreed to the Settlement Agreement, appropriate and approves the rate schedules attached hereto.

IT IS THEREFORE ORDERED THAT:

1. The rates and charges approved herein shall be effective for bills rendered on or after the first billing cycle in November 2020, subject to changes under the Company's Gas Cost Recovery Mechanism.

2. As agreed to in the Settlement Agreement approved herein, Piedmont shall report to ORS the following information on a going forward basis: (a) concurrent with the

Company's future RSA report filings for the period ended March 31 of each year, the employees whose incentive pay has been capitalized and included in rate base and the amount thereof; (b) concurrent with the Company's future RSA report filings ended March 31 of each year, Piedmont shall report all the per books non-allowable expenses for the annual review period; (c) by November 30 and May 31 of each year, Piedmont shall provide the ORS with general ledger expense detail for the respective six-month prior periods ending September 30 and March 31 for RSA non-allowable expense testing purposes; (d) Piedmont will work in good faith to improve the transparency and reporting of costs allocated to Piedmont from DEBS, or other subsidiaries of Duke Energy, in order to facilitate ORS's ability to efficiently audit such cost allocations in the future.

3. If it has not already done so by the date of issuance of this Order, the Company shall file its revised tariff utilizing the Commission's e-filing system for tariffs prior to its first billing cycle in November 2020. The revised tariff should be electronically filed in a text searchable PDF format using the Commission's DMS System (<https://dms.psc.sc.gov/Web>). An additional copy should be sent via email to [etariff@psc.sc.gov](mailto:etariff@psc.sc.gov) to be included in the Commission's ETariff System (<https://etariff.psc.sc.gov>). Future revisions to the tariff should be made using the ETariff System. Each tariff sheet shall contain a reference to this Order and its effective date at the bottom of each page. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations, as well as the provisions of the Settlement Agreement.

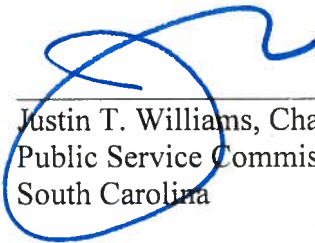
4. Piedmont shall provide a reconciliation of each tariff rate change approved as a result of this Order to each tariff rate revision filed in the ETariff system. Such reconciliation shall include an explanation of any differences and be submitted separately from the Company's ETariff system filing.

5. If it has not already done so by the date of issuance of this Order, the Company shall file a schedule showing the revenue produced by each and every tariffed rate approved by the Commission and reconcile the revenue produced, by tariffed rate, to the revenue requirement approved in this Order.

6.. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



  
Justin T. Williams, Chairman  
Public Service Commission of  
South Carolina